

Message Text

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62

ORIGIN COME-00

INFO OCT-01 NEA-10 ISO-00 EB-07 TRSE-00 CIAE-00 INR-07

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TREASURY/BOWDEN(INFO)

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P 092124Z APR 76

FM SECSTATE WASHDC

TO AMEMBASSY JIDDA PRIORITY

C O N F I D E N T I A L STATE 086527

E.O. 11652: GDS

TAGS: BEXP, ETEL, SA, US

SUBJECT: SAG DECISION TO AWARD AUTOMATIC TELEPHONE
PROJECT

REF: JIDDA 2480

1. CAGNE'S BUSINESS FACILITATION STAFF WAS CONTACTED ON APRIL 7 BY ROBERT STROCK, VICE PRESIDENT FOR ENGINEERING AND OPERATIONS, UNITED TELECOMMUNICATIONS INC. (UTI), REGARDING SUBJECT PROJECT. STROCK AWARE OF EMBASSY'S ACTIONS REFTEL, AND CALLED CAGNE TO FORMALLY INFORM USG THAT UTI IS ACTIVELY COMPETING FOR THIS PROJECT, AND WOULD APPRECIATE THIS FACT BEING REFLECTED IN OUR APPROACHES TO SAUDI OFFICIALS. STROCK EXPRESSED SERIOUS CONCERN THAT OMMISION OF UTI INTEREST IN USG APPROACHES WOULD ADVERSELY AFFECT COMPANY'S CHANCES VIS A VIS ATT AND ITT.

2. ACCORDING TO STROCK, UTI SUBMITTED A PRELIMINARY PRO-POSAL TO PTT MINISTER KAYYAL IN JANUARY 1976. THE COMPANY'S
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PREQUALIFICATION DOCUMENTS WERE SUBMITTED IN FEBRUARY, IN

RESPONSE TO A REQUEST FROM THE MINISTRY. ADDITIONAL DOCUMENTATION WAS FURNISHED BY THE COMPANY ON MARCH 11. UTI IS BIDDING ON THE PROJECT IN PARTNERSHIP WITH ITS WHOLLY OWNED SUBSIDIARY, NORTH ELECTRIC.

3. UTI IS REPRESENTED BY YOUSUF ZAHID. ZAHID REPORTEDLY HAS SECURED MEETING WITH KAYAL FOR UTI'S CHAIRMAN, PAUL HENSON, IN RIYADH ON APRIL 19. HENSON WILL BE ACCOMPANIED BY HIS EXECUTIVE VICE PRESIDENT AND THE CORPORATION'S COUNSEL. UTI TEAM PLANS LEAVE STATES ON APRIL 13, AND WOULD HOPE TO CALL ON AMBASSADOR IN ORDER TO BRIEF HIM ON THEIR PROPOSAL BETWEEN APRIL 16 AND 18. COMPANY WOULD APPRECIATE KNOWING AVAILABILITY OF AMBASSADOR PRIOR TO DEPARTURE.

4. UTI IS BASED IN KANSAS CITY AND OPERATES THE THIRD LARGEST TELEPHONE SYSTEM IN THE US, WITH ANNUAL REVENUES IN EXCESS OF 1 BILLION DOLS. THEIR NORTH ELECTRIC SUBSIDIARY IS A LEADING US SUPPLIER OF SWITCHING EQUIPMENT. THE COMPANY IS OVER ONE HUNDRED YEARS OLD AND IS LISTED ON THE NEW YORK STOCK EXCHANGE.

5. COMMENT. UTI HAS EXPRESSED REGRET AT NOT KEEPING USG APPRISED OF THEIR BID ON THIS PROJECT, AND RECOGNIZES EMBASSY'S APPROACH BASED ON BEST AVAILABLE INFORMATION REGARDING US BIDDERS. WE ARE, HOWEVER, UNCERTAIN AS TO HOW SAUDIS VIEW UTI PROPOSAL. ASSUMING UTI PROPOSAL STILL UNDER CONSIDERATION, EMBASSY SHOULD TAKE NOTE OF UTI INTEREST IN ANY APPROACH TO SAG. KISSINGER

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